

107TH CONGRESS  
1ST SESSION

# H. R. 1819

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 10, 2001

Mr. SHOWS (for himself, Ms. BALDWIN, Mr. BARCIA, Mr. BONIOR, Mr. BOSWELL, Mr. BOUCHER, Mr. BOYD, Ms. BROWN of Florida, Mr. BROWN of Ohio, Mr. BURR of North Carolina, Ms. CARSON of Indiana, Mrs. CHRISTENSEN, Mrs. CLAYTON, Mr. CONDIT, Mr. CONYERS, Mr. COSTELLO, Mr. CRAMER, Mr. DAVIS of Illinois, Mr. DEFazio, Mr. EVANS, Mr. FILNER, Mr. FRANK, Mr. GILLMOR, Mr. GONZALEZ, Mr. GOODE, Ms. HART, Mr. HINCHEY, Mr. HINOJOSA, Mr. HOLDEN, Mr. JACKSON of Illinois, Ms. KAPTUR, Mr. KILDEE, Ms. KILPATRICK, Mr. KUCINICH, Mr. LATOURETTE, Ms. LEE, Mr. LEWIS of Georgia, Ms. MCCARTHY of Missouri, Mr. MCGOVERN, Mr. MCHUGH, Mr. MCINTYRE, Ms. MCKINNEY, Ms. MILLENDER-McDONALD, Mr. GEORGE MILLER of California, Mr. MURTHA, Mr. NADLER, Mrs. NAPOLITANO, Mr. NEY, Mr. NORWOOD, Mr. PALLONE, Mr. PICKERING, Mr. QUINN, Mr. REYES, Ms. ROS-LEHTINEN, Ms. ROYBAL-ALLARD, Mr. SANDERS, Mr. STRICKLAND, Mr. STUPAK, Mr. TAYLOR of Mississippi, Mr. THOMPSON of Mississippi, Mrs. THURMAN, Mr. TURNER, Ms. VELÁZQUEZ, Mr. WHITFIELD, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives and job training grants for communities

affected by the migration of businesses and jobs to Canada or Mexico as a result of the North American Free Trade Agreement.

1 *Be it enacted by the Senate and House of Representa-*  
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Free Trade Commu-  
 5 nity Relief Act”.

6 **SEC. 2. DESIGNATION OF AND TAX INCENTIVES FOR**  
 7 **NAFTA-IMPACTED COMMUNITIES.**

8 (a) IN GENERAL.—Chapter 1 of the Internal Rev-  
 9 enue Code of 1986 is amended by adding at the end the  
 10 following new subchapter:

11 **“Subchapter XI—NAFTA-Impacted**  
 12 **Communities**

“Sec. 1400K. Designation of NAFTA-impacted communities.  
 “Sec. 1400L. NAFTA-impacted community employment credit.  
 “Sec. 1400M. Increase in expensing under section 179.  
 “Sec. 1400N. NAFTA-impacted community business defined.

13 **“SEC. 1400K. DESIGNATION OF NAFTA-IMPACTED COMMU-**  
 14 **NITIES.**

15 “(a) DESIGNATION.—

16 “(1) NAFTA-IMPACTED COMMUNITY.—For  
 17 purposes of this title, the term ‘NAFTA-impacted  
 18 community’ means any area—

19 “(A) which is nominated by one or more  
 20 local governments and the State or States in

1 which it is located for designation as a commu-  
2 nity impacted by the North American Free  
3 Trade Agreement (hereinafter in this section re-  
4 ferred to as a ‘nominated area’), and

5 “(B) which the Secretary of Commerce  
6 designates as a NAFTA-impacted community,  
7 after consultation with—

8 “(i) in the case of an area in a rural  
9 area, the Secretary of Agriculture;

10 “(ii) in the case of an area in an  
11 urban area, the Secretary of Housing and  
12 Urban Development; and

13 “(iii) in the case of an area on an In-  
14 dian reservation, the Secretary of the Inte-  
15 rior.

16 “(2) NUMBER OF DESIGNATIONS.—The Sec-  
17 retary of Commerce may designate not more than  
18 35 nominated areas as NAFTA-impacted commu-  
19 nities.

20 “(3) AREAS DESIGNATED BASED ON DEGREE  
21 OF LOSS OF JOBS RESULTING FROM NAFTA, ETC.—  
22 Except as otherwise provided in this section, the  
23 nominated areas designated as NAFTA-impacted  
24 communities under this subsection shall be those  
25 nominated areas with the highest average ranking

1 with respect to the criteria described in subsection  
2 (c)(3). For purposes of the preceding sentence, an  
3 area shall be ranked within each such criterion on  
4 the basis of the amount by which the area exceeds  
5 such criterion, with the area which exceeds such cri-  
6 terion by the greatest amount given the highest  
7 ranking.

8 “(4) LIMITATION ON DESIGNATIONS.—

9 “(A) PUBLICATION OF REGULATIONS.—

10 The Secretary of Commerce shall prescribe by  
11 regulation no later than 4 months after the  
12 date of the enactment of this section, after con-  
13 sultation with the officials described in para-  
14 graph (1)(B)—

15 “(i) the procedures for nominating an  
16 area under paragraph (1)(A),

17 “(ii) the parameters relating to the  
18 size and population characteristics of a  
19 NAFTA-impacted community, and

20 “(iii) the manner in which nominated  
21 areas will be evaluated based on the cri-  
22 teria specified in subsection (c).

23 “(B) PROCEDURAL RULES.—The Secretary  
24 of Commerce shall not make any designation of

1 a nominated area as a NAFTA-impacted com-  
2 munity under paragraph (2) unless—

3 “(i) a nomination regarding such area  
4 is submitted in such a manner and in such  
5 form, and contains such information, as  
6 the Secretary of Commerce shall by regula-  
7 tion prescribe, and

8 “(ii) the Secretary of Commerce de-  
9 termines that any information furnished is  
10 reasonably accurate.

11 “(5) NOMINATION PROCESS FOR INDIAN RES-  
12 ERVATIONS.—For purposes of this subchapter, in  
13 the case of a nominated area on an Indian reserva-  
14 tion, the reservation governing body (as determined  
15 by the Secretary of the Interior) shall be treated as  
16 being both the State and local governments with re-  
17 spect to such area.

18 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-  
19 FECT.—

20 “(1) IN GENERAL.—Any designation of an area  
21 as a NAFTA-impacted community shall remain in  
22 effect during the period beginning on the date of the  
23 designation and ending on the earliest of—

24 “(A) December 31, 2008,

1           “(B) the termination date designated by  
2           the State and local governments in their nomi-  
3           nation, or

4           “(C) the date the Secretary of Commerce  
5           revokes such designation.

6           “(2) REVOCATION OF DESIGNATION.—The Sec-  
7           retary of Commerce may revoke the designation  
8           under this section of an area if the Secretary deter-  
9           mines that the loss of jobs and other affects of  
10          NAFTA on the area have been substantially allevi-  
11          ated. Such determination shall include, at a min-  
12          imum, a finding that the unemployment rate in the  
13          area is equal to or lower than the national unem-  
14          ployment rate, and a finding that new businesses are  
15          being attracted to the area.

16          “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

17                 “(1) IN GENERAL.—The Secretary of Com-  
18                 merce may designate a nominated area as a  
19                 NAFTA-impacted community under subsection (a)  
20                 only if the area meets the requirements of para-  
21                 graphs (2) and (3) of this subsection.

22                 “(2) AREA REQUIREMENTS.—For purposes of  
23                 paragraph (1), a nominated area meets the require-  
24                 ments of this paragraph if—

1           “(A) the area is within the jurisdiction of  
2           one or more local governments,

3           “(B) the boundary of the area is contin-  
4           uous,

5           “(C) the area does not include an em-  
6           powerment zone (as defined in section 1393(b)),  
7           and

8           “(D) the area does not include a renewal  
9           community designated under section 1400E.

10          “(3) ELIGIBILITY REQUIREMENTS.—

11               “(A) IN GENERAL.—For purposes of para-  
12               graph (1), a nominated area meets the require-  
13               ments of this paragraph if the State and the  
14               local governments in which it is located certify  
15               (and the Secretary of Commerce, after such re-  
16               view of Department of Labor data and other  
17               appropriate supporting data as he deems appro-  
18               priate, accepts such certification) that—

19                       “(i) the unemployment rate in the  
20                       area, as determined by the most recent  
21                       available data, was at least 1 percentage  
22                       point above the national unemployment  
23                       rate for the period to which such data re-  
24                       late, and

25                       “(ii) in the case of—

1                   “(I) a rural area, at least 300  
2                   workers who live or work in the area  
3                   have been certified as eligible to apply  
4                   for NAFTA transitional adjustment  
5                   assistance under subchapter D of  
6                   chapter 2 of title II of the Trade Act  
7                   of 1974 (19 U.S.C. 2341 et seq.), and

8                   “(II) an urban area, at least 500  
9                   workers have been so certified.

10                  “(B) RURAL AREA DEFINED.—For pur-  
11                  poses of this section, the term ‘rural area’  
12                  means an area—

13                       “(i) which is within a local govern-  
14                       ment jurisdiction or jurisdictions with a  
15                       population of less than 10,000,

16                       “(ii) which is outside of a metropoli-  
17                       tan statistical area (within the meaning of  
18                       section 143(k)(2)(B)), or

19                       “(iii) which is determined by the Sec-  
20                       retary of Commerce, after consultation  
21                       with the Secretary of Agriculture, to be a  
22                       rural area.

23                  “(C) URBAN AREA DEFINED.—For pur-  
24                  poses of this section, the term ‘urban area’  
25                  means any area that is not a rural area.



1       “(d) COORDINATION WITH TREATMENT OF ENTER-  
 2       PRISE COMMUNITIES.—For purposes of this title, if there  
 3       are in effect with respect to the same area both—

4               “(1) a designation as a NAFTA-impacted com-  
 5       munity, and

6               “(2) a designation as an enterprise community,  
 7       both of such designations shall be given full effect with  
 8       respect to such area.

9       “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
 10      poses of this subchapter, rules similar to the rules of para-  
 11      graphs (5) and (7) of section 1393 shall apply.

12      **“SEC. 1400L. NAFTA-IMPACTED COMMUNITY EMPLOYMENT**  
 13                               **CREDIT.**

14      “(a) AMOUNT OF CREDIT.—For purposes of section  
 15      38, the amount of the NAFTA-impacted community em-  
 16      ployment credit determined under this section with respect  
 17      to any employer for any taxable year is 8.5 percent of the  
 18      qualified NAFTA-impacted community wages paid or in-  
 19      curred during the calendar year which ends with or within  
 20      such taxable year.

21      “(b) QUALIFIED NAFTA-IMPACTED COMMUNITY  
 22      WAGES.—

23               “(1) IN GENERAL.—For purposes of this sec-  
 24      tion, the term ‘qualified NAFTA-impacted commu-  
 25      nity wages’ means any wages paid or incurred by an

1 employer for services performed by an employee  
2 while such employee is a qualified NAFTA-impacted  
3 community employee.

4 “(2) ONLY FIRST \$15,000 OF WAGES PER YEAR  
5 TAKEN INTO ACCOUNT.—With respect to each quali-  
6 fied NAFTA-impacted community employee, the  
7 amount of qualified NAFTA-impacted community  
8 wages which may be taken into account for a cal-  
9 endar year shall not exceed \$15,000.

10 “(3) COORDINATION WITH WORK OPPORTUNITY  
11 CREDIT.—

12 “(A) IN GENERAL.—The term ‘qualified  
13 NAFTA-impacted community wages’ shall not  
14 include wages taken into account in deter-  
15 mining the credit under section 51.

16 “(B) COORDINATION WITH PARAGRAPH  
17 (2).—The \$15,000 amount in paragraph (2)  
18 shall be reduced for any calendar year by the  
19 amount of wages paid or incurred during such  
20 year which are taken into account in deter-  
21 mining the credit under section 51.

22 “(c) QUALIFIED NAFTA-IMPACTED COMMUNITY  
23 EMPLOYEE.—For purposes of this section—

24 “(1) IN GENERAL.—Except as otherwise pro-  
25 vided in this subsection, the term ‘qualified NAFTA-

1 impacted community employee’ means, with respect  
 2 to any period, any employee of an employer if—

3 “(A) substantially all of the services per-  
 4 formed during such period by such employee for  
 5 such employer are performed within a NAFTA-  
 6 impacted community in a trade or business of  
 7 the employer, and

8 “(B) the principal place of abode of such  
 9 employee while performing such services is  
 10 within such NAFTA-impacted community.

11 “(2) OTHER RULES.—Rules similar to the rules  
 12 of paragraphs (2) and (3) of section 1396(d) shall  
 13 apply.

14 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—  
 15 For purposes of this section, the rules of section 1397  
 16 shall apply.

17 **“SEC. 1400M. INCREASE IN EXPENSING UNDER SECTION**  
 18 **179.**

19 “(a) GENERAL RULE.—In the case of a NAFTA-im-  
 20 pacted community business (as defined in section 1400N),  
 21 for purposes of section 179—

22 “(1) the limitation under section 179(b)(1)  
 23 shall be increased by the lesser of—

24 “(A) \$10,000, or

1           “(B) the cost of section 179 property  
2           which is qualified NAFTA-impacted property  
3           placed in service during the taxable year, and

4           “(2) the amount taken into account under sec-  
5           tion 179(b)(2) with respect to any section 179 prop-  
6           erty which is qualified NAFTA-impacted property  
7           shall be 50 percent of the cost thereof.

8           “(b) RECAPTURE.—Rules similar to the rules under  
9           section 179(d)(10) shall apply with respect to any quali-  
10          fied NAFTA-impacted property which ceases to be used  
11          in a NAFTA-impacted community by a NAFTA-impacted  
12          community business.

13          “(c) QUALIFIED NAFTA-IMPACTED PROPERTY.—  
14          For purposes of this section—

15                 “(1) IN GENERAL.—The term ‘qualified  
16                 NAFTA-impacted property’ means section 179 prop-  
17                 erty (as defined in section 179(d)) if—

18                         “(A) such property was acquired by the  
19                         taxpayer after December 31, 1999, and before  
20                         January 1, 2007, and

21                         “(B) such property would be qualified zone  
22                         property (as defined in section 1397C) if ref-  
23                         erences to NAFTA-impacted communities were  
24                         substituted for references to empowerment  
25                         zones in section 1397C.

1           “(2) CERTAIN RULES TO APPLY.—The rules of  
 2           subsections (a)(2) and (b) of section 1397C shall  
 3           apply for purposes of this section.

4   **“SEC. 1400N. NAFTA-IMPACTED COMMUNITY BUSINESS DE-**  
 5           **FINED.**

6           “For purposes of this part, the term ‘NAFTA-im-  
 7           pacted community business’ means any entity or propri-  
 8           etorship which would be a qualified business entity or  
 9           qualified proprietorship under section 1397C if references  
 10          to NAFTA-impacted communities were substituted for  
 11          references to empowerment zones in such section.”.

12          (b) TECHNICAL AND CONFORMING AMENDMENTS.—

13                  (1) NAFTA-IMPACTED COMMUNITY EMPLOY-  
 14                  MENT CREDIT PART OF GENERAL BUSINESS CRED-  
 15                  IT.—

16                  (A) Subsection (b) of section 38 of such  
 17                  Code (relating to current year business credit)  
 18                  is amended by striking “plus” at the end of  
 19                  paragraph (12), by striking the period at the  
 20                  end of paragraph (13) and inserting “, plus”,  
 21                  and by adding at the end the following new  
 22                  paragraph:

23                  “(14) the NAFTA-impacted community employ-  
 24                  ment credit determined under section 1400L(a).”.

1 (B) Subsection (d) of section 39 of such  
2 Code (relating to carryback and carryforward of  
3 unused credits) is amended by adding at the  
4 end the following new paragraph:

5 “(10) NO CARRYBACK OF SECTION 1400L CRED-  
6 IT BEFORE EFFECTIVE DATE.—No portion of the  
7 unused business credit for any taxable year which is  
8 attributable to the credit determined under section  
9 1400L (relating to NAFTA-impacted community  
10 employment credit) may be carried to any taxable  
11 year ending before January 1, 2000.”.

12 (2) DENIAL OF DEDUCTION FOR PORTION OF  
13 WAGES EQUAL TO NAFTA-IMPACTED COMMUNITY  
14 EMPLOYMENT CREDIT.—

15 (A) Subsection (a) of section 280C (relat-  
16 ing to rule for employment credits) is amended  
17 by striking “and 1396(a)” and inserting  
18 “1396(a), and 1400L(a)”.

19 (B) Subsection (c) of section 196 (relating  
20 to deduction for certain unused business cred-  
21 its) is amended by striking “and” at the end of  
22 paragraph (8), by striking the period at the end  
23 of paragraph (9) and inserting “, and”, and by  
24 adding at the end the following new paragraph:

1 “(10) the NAFTA-impacted community employ-  
2 ment credit determined under section 1400L(a)”.

3 (3) CARRYOVERS.—Subsection (c) of section  
4 381 (relating to carryovers in certain corporate ac-  
5 quisitions) is amended by adding at the end the fol-  
6 lowing new paragraph:

7 “(27) NAFTA-IMPACTED COMMUNITY PROVI-  
8 SIONS.—The acquiring corporation shall take into  
9 account (to the extent proper to carry out the pur-  
10 poses of this section and subchapter XI, and under  
11 such regulations as may be prescribed by the Sec-  
12 retary) the items required to be taken into account  
13 for purposes of subchapter XI in respect of the dis-  
14 tributor or transferor corporation.”.

15 (c) CLERICAL AMENDMENTS.—The table of sub-  
16 chapters for chapter 1 is amended by adding at the end  
17 the following new item:

“Subchapter XI. NAFTA-Impacted Communities.”

18 **SEC. 3. GRANTS FOR JOB TRAINING ASSISTANCE FOR**  
19 **NAFTA-IMPACTED COMMUNITIES.**

20 (a) IN GENERAL.—The Secretary of Labor shall pro-  
21 vide grants to States that contain NAFTA-impacted com-  
22 munities, as designated under section 1400K of the Inter-  
23 nal Revenue Code of 1986 (as added by section 2(a) of  
24 this Act), for the purpose of providing sub-grants to non-  
25 profit organizations and community or junior colleges in

1 order to provide short-term job training courses, courses  
2 in entrepreneurship and self-employment, and other related  
3 job training assistance that will promote the economic self-  
4 sufficiency of individuals located in NAFTA-impacted  
5 communities.

6 (b) MAXIMUM AMOUNT OF GRANT.—The total  
7 amount provided under a grant to a State under sub-  
8 section (a) for a fiscal year may not exceed the product  
9 of—

10 (1) \$1,000,000; and

11 (2) the number of NAFTA-impacted commu-  
12 nities located in the State.

13 (c) AUTHORIZATION OF APPROPRIATIONS.—

14 (1) IN GENERAL.—There are authorized to be  
15 appropriated to carry out this section \$35,000,000  
16 for each of the fiscal years 2002 through 2008.

17 (2) AVAILABILITY.—Amounts appropriated pur-  
18 suant to the authorization of appropriations under  
19 paragraph (1) are authorized to remain available  
20 until expended.

○